GIG WORKERS

The Gig Economy Is Growing -- But Where Is It Headed?

A contributor argues that Uber drivers and Grubhub delivery personnel deserve the same wage guarantees and other benefits as full-time employees

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Image credit: Uber

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The gig economy workforce is expected to hit 9.2 million Americans by 2021 as the convenience economy continues to expand from food delivery and ride-sharing to pharmaceuticals and on-demand event staffing. This was seen with Amazon's recent acquisition of Pillpack and Uber's recently announced Uber Works program.

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The result has been to send a mixed message, leaving the employment structure of the gig economy in flux.

Rather than stripping access to benefits, companies leveraging a gig workforce should instead embrace employer status and offer adequate pay and protections to their workers. In doing this, companies can still enjoy the benefits of a flexible, on-demand workforce, but have a happy and motivated labor pool as well, ensuring that their own brand image is upheld and the customer experience is always positive.

Gig workers are the heartbeat of the gig economy and critical to its future, so there are good reasons *why* they should be treated fairly and evidence of *how* that ultimately benefits organizations. The why and how is presented below.

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Fair pay

Unfair pay is just one pain point for gig workers that needs to be addressed in order for the convenience economy to continue its growth. Some studies have reported that ridesharing drivers can earn up to $25 an hour but once that is adjusted for gas, car insurance, mileage and maintenance expenses, the average net income can fall to just $9.21 an hour, and potentially much less.

Fees imposed by the companies themselves also contribute to diminished net income. Lyft takes a 20 percent cut of each fare from the driver -- plus the entire booking fee -- while Uber takes a 25 percent cut. In addition, independent contractors aren't entitled to minimum wage, overtime pay or other hourly law mandates, such as meal periods and rest breaks.

Benefits

While there are safety risks associated with all jobs, driving is a particularly dangerous occupation. And estimated 20 mllion to 50 million Americans are injured in road crashes every year, a critical concern for ridesharing and delivery drivers who don't receive proper safety training or health insurance from their employers.

Even worse, 44 percent of independent workers rely on gig work as their primary source of income, yet aren't entitled to unemployment insurance. If those workers are injured on the job and unable to continue working, they lose their entire income, without a safety net. This was the case for one gig worker who supported himself solely by driving for Lyft and Instacart – two gig economy behemoths. As he was filling an Instacart order, he injured his knee so badly that it required surgery. The driver was forced to take three months off for recovery. This meant his income was reduced to nothing, just when the medical bills were beginning to add up, leading to a year-and-a-half of homelessness.

Freelancers also don't have access to 401 (k) plans. Only 16 percent of gig workers have a retirement savings plan, which means that millions of gig workers are putting their long-term financial security at risk to help facilitate the growth of our on-demand economy.

Embracing employer status

While fair pay, insurance and other protections are critical for workers, there are many reasons why employers should *want* to invest in their employees and embrace employer status while still enjoying the cost and time-saving benefits of the gig economy.

A recent study found that employee benefits were among the top two contributors to employee job satisfaction and happiness, Guardian Insurance reported. Additional research by the University of Warwick showed that employees are 12 percent more productive when they are happy, indicating that investing in employees' well-being by providing benefits can have positive effects on a company's success.

Embracing employer status can also help businesses protect their brand. For example, when restaurants outsource to third-party delivery services, they lose control of their brand from the moment the food leaves their restaurant, increasing the risk of cold food, delayed deliveries, negative customer interactions and ultimately, bad Yelp reviews, changed customer loyalties and a deteriorated profit margin.

When restaurants use their own team to deliver the brand-intended experience, they can better ensure food quality, delivery timing and the consumer experience is exactly as they expect. To facilitate this, restaurants and other businesses can partner with companies that provide a gig economy-like workforce but also take care of employment related burdens, ensuring workers are protected.

As the convenience economy continues to expand, it is important to remember that gig workers themselves are the heartbeat of this emergent industry. While California and New York recently passed legislation that once signaled a disruption of the gig economy's employment model, there have been other decisions like the Uber dismissal case as well as *Lawson v. Grubhub,* in which the U.S. District Court of Northern California ruled that a Grubhub driver was properly classified and therefore not entitled to a minimum wage and overtime. The latter decisions show the obstacles that must be addressed before employment-related protections can be mandated.

Related: Why This Entrepreneur Thinks Uber Drivers Should Be His Employees

In order for the convenience economy to continue its success and growth, companies must embrace employer status and offer their workers benefits, insurance and other basic labor protections, which in turn will enable them to control their brand image and improve company productivity overall.